HALWANI BROTHERS COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2011

ERNST & YOUNG

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AUDITORS' REPORT TO THE SHAREHOLDERS OF HALWANI BROTHES COMOANY (A SAUDI JOINT STOCK COMPANY)

Scope of audit

We have audited the accompanying consolidated balance sheet of Halwani Brothers Company (a Saudi joint stock company) and its subsidiary as at 31 December 2011 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified opinion

In our opinion, the consolidated financial statements taken as a whole:

i) present fairly, in all material respects, the financial position of the Company and its subsidiary as at 31 December 2011 and the results of their operations and their cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

ii) comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
Licence No. 356

18 February 2012
26 Rabi Al Awal 1433 H

Jeddah

Halwani Brothers Company (A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET

As at 31 December 2011

	Note	*2011* *SR*	*2010* *SR*
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	**121,080,874**	116,900,365
Trade accounts receivable, net	4	**107,545,714**	125,845,335
Due from related parties	5	**1,444,740**	4,735,501
Inventories, net	6	**176,844,776**	180,833,405
Prepaid expenses and other assets	7	**15,981,991**	15,727,982
TOTAL CURRENT ASSETS		**422,898,095**	444,042,588
NON-CURRENT ASSETS			
Property and equipment, net	8	**265,969,434**	208,951,560
TOTAL ASSETS		**688,867,529**	652,994,148
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade accounts payable		**57,051,610**	67,398,520
Current portion from term loan	9	**268,329**	-
Due to related parties	5	**464,858**	885,978
Accrued expenses and other payables	10	**41,626,738**	39,454,184
Zakat Payable	18	**8,831,886**	9,014,564
TOTAL CURRENT LIABILITIES		**108,243,421**	116,753,246
NON-CURRENT LIABILITIES			
Term loan	9	**12,411,421**	-
Deferred tax	18	**2,146,817**	1,083,926
Employees' terminal benefits		**28,244,178**	27,633,619
TOTAL NON-CURRENT LIABILITIES		**42,802,416**	28,717,545
TOTAL LIABILITIES		**151,045,837**	145,470,791
SHAREHOLDERS' EQUITY			
Capital	11	**285,714,300**	285,714,300
Statutory reserve	12	**125,218,098**	117,165,653
General reserve	13	**9,005,096**	9,005,096
Retained earnings		**140,266,995**	112,852,133
Translation adjustments of financial statements of a subsidiary		**(22,382,797)**	(17,213,825)
TOTAL SHAREHOLDERS' EQUITY		**537,821,692**	507,523,357
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**688,867,529**	652,994,148

The consolidated financial statements were authorised for issuance in accordance with the Board of Directors resolution of 18 February 2012 and signed on their behalf by:

Engr. Saleh Hefni
Chief Executive Officer

Moataz Mortada
Chief Financial Officer

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2011

	Note	***2011 SR***	*2010 SR*
Sales		**813,643,298**	731,969,490
Cost of sales		**(570,132,043)**	(494,015,929)
GROSS PROFIT		**243,511,255**	237,953,561
Selling and distribution expenses	15	**(100,526,189)**	(96,856,240)
General and administration expenses	16	**(38,497,649)**	(43,347,034)
NET INCOME FROM THE OPERATIONS		**104,487,417**	97,750,287
Returns on time deposits		**1,332,458**	1,609,465
Other income	17	**3,991,480**	2,229,158
Tadawul expenses and dividends		**(774,817)**	(928,655)
NET INCOME BEFORE ZAKAT AND INCOME TAX		**109,036,538**	100,660,255
Zakat	18	**(8,708,862)**	(8,865,161)
Income tax	18	**(19,803,224)**	(11,394,761)
NET INCOME		**80,524,452**	80,400,333
Earnings per share:			
From net income from the operations	24	**3.66**	3.42
From net income	24	**2.82**	2.81

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Note	*2011* *SR*	*2010* *SR*
OPERATING ACTIVITIES			
Net income for the year before zakat and income tax		**109,036,538**	100,660,255
Adjustments for:			
Provision for doubtful debts		**3,622,924**	7,208,324
Provision for slow moving items		**480,524**	2,303,793
Depreciation		**19,163,590**	17,783,706
Employees' terminal benefits, net		**610,559**	776,096
Gain on sale of property and equipment		**(1,060,562)**	(1,279,092)
		131,853,573	127,453,082
Changes in operating assets and liabilities:			
Accounts receivable		**14,405,657**	(13,562,380)
Due from/to related parties		**2,866,433**	(585,191)
Inventories		**2,286,870**	(52,123,319)
Prepaid expenses and other assets		**(307,748)**	(3,825,492)
Accounts payable		**(10,695,745)**	22,726,169
Accrued expenses and other payables		**(5,472,246)**	8,422,148
Cash from operations		**134,936,794**	88,505,017
Zakat paid		**(8,891,540)**	(8,732,711)
Income tax paid		**(11,553,736)**	(5,494,834)
Net cash flows from operating activities		**114,491,518**	74,277,472
INVESTING ACTIVITIES			
Purchase of property and equipment		**(77,856,202)**	(73,484,348)
Proceeds from sale of property and equipment		**1,202,337**	2,783,317
Net cash flows used in investing activities		**(76,653,865)**	(70,701,031)
FINANCING ACTIVITIES			
Proceeds from term loans		**12,540,000**	-
Dividends	14	**(42,857,145)**	(28,571,430)
Directors' remuneration		**(2,200,000)**	(1,204,569)
Net cash flows used in financing activities		**(32,517,145)**	(29,775,999)
CHANGE IN CASH AND CASH EQUIVALENTS		**5,320,508**	(26,199,558)
Effect of exchange rate change on cash and cash equivalents		**(1,139,999)**	(1,100,089)
Cash and cash equivalents at the beginning of the year		**116,900,365**	144,200,012
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**121,080,874**	116,900,365
SUPPLEMENTARY INFORMATION FOR NON-CASH TRANSACTIONS:			
Effect of exchange rate change on translating of a subsidiary's financial statements		**5,168,972**	6,159,786
Amortisation of term loan administration fees		**139,750**	-

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2011

	Note	*2011* *SR*	*2010* *SR*
CAPITAL	11	**285,714,300**	285,714,300
STATUTORY RESERVE			
Balance at the beginning of the year	12	**117,165,653**	109,125,620
Transfer from retained earnings		**8,052,445**	8,040,033
Balance at the end of the year		**125,218,098**	117,165,653
GENERAL RESERVE	13	**9,005,096**	9,005,096
RETAINED EARNINGS			
Balance at the beginning of the year		**112,852,133**	70,267,832
Net income for the year		**80,524,452**	80,400,333
Transfer to statutory reserve		**(8,052,445)**	(8,040,033)
Directors' remuneration		**(2,200,000)**	(1,204,569)
Dividends	14	**(42,857,145)**	(28,571,430)
Balance at the end of the year		**140,266,995**	112,852,133
TRANSLATION ADJUSTMENTS OF FINANCIAL STATEMENTS OF A SUBSIDIARY			
Balance at the beginning of the year		**(17,213,825)**	(11,054,039)
Translation difference during the year		**(5,168,972)**	(6,159,786)
Balance at the end of the year		**(22,382,797)**	(17,213,825)
Total shareholders' equity		**537,821,692**	507,523,357

The attached notes 1 to 25 form part of these consolidated financial statements.

1 ACTIVITIES

Halwani Brothers Company ("The Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030005702 issued in Jeddah on 11 Rabie II 1388 H (corresponding to 7 July 1968).

The Company is engaged in manufacturing, packaging, wholesale and retail trading in food products.

The consolidated financial statements comprise the financial statements of the parent company and Halwani Brothers Company Egypt (Egyptian Joint Stock Company), a fully owned subsidiary. The subsidiary is engaged in the manufacturing and packaging of foodstuffs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention
The consolidated financial statements are prepared under the historical cost convention.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the parent company and its subsidiary as explained in note (1) above. All inter-company transactions and balances are eliminated on consolidation.

Use of estimate
The preparation of the consolidated financial statements in conformity with standards generally accepted in the Kingdom of Saudi Arabia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Revenue recognition
Revenue is recognized when goods are delivered to the customer, net of commercial and quantity discounts.

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Inventories
Raw materials, finished goods, packaging materials, work-in-progress and spare parts are stated at the lower of cost or estimated net realizable value. Cost of raw materials, packaging materials and spare parts are determined using the moving average method.

Cost of finished goods and work-in-progress include direct materials, direct labour and appropriate allocation of manufacturing overheads. Provision is made for slow moving and obsolete spare parts.

Property and equipment/depreciation
Property and equipment are stated at cost net of accumulated depreciation and any impairment. Free-hold land is not depreciated. The cost less estimated residual value of other property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less cost to sell and their value in use.

Expenditures for repair and maintenance are charged to consolidated statement of income. Betterments that increase the value or materially extend the life or the related assets are capitalized.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of income;
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Accounts payable and accruals
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions
Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

Financial charges
Financial charges that are directly attributable to the construction of an asset are capitalised up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, all such costs are charged to the consolidated statement of income.

Zakat and income tax
According to the financial accounting standard for Zakat, Zakat provision for each separate fiscal period is measured and recorded in accordance with the provisions and rules of Zakat applied in the Kingdom of Saudi Arabia based on accrual basis. Such provision is charged to the consolidated statement of income.

The subsidiary is subject to income tax which is accounted for in accordance with the Egyptian tax law.

End of service benefits
Benefits payable to the employees of the Company at the end of their services is provided for in accordance with the guidelines set by the Saudi Arabian Labour Law.

Cash and cash equivalents
Cash and cash equivalents consists of bank balances, cash on hand and short-term deposits that are readily convertible into identifiable cash amounts and have a maturity of three months or less when purchased.

Selling and distribution and General and administration expenses
Selling and distribution expenses are those expenses related to salesmen and other incidental selling expenses. All other expenses are classified as general and administrative expenses.

Foreign currency translations
Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income.

The financial statements of foreign operations are translated into Saudi Riyals using the exchange rate ruling at the balance sheet date for assets and liabilities, and the average exchange rate during the period for revenues and expenses.

Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of respective component. Translation adjustments are recorded as a separate component in the consolidated statement of changes in shareholders' equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment report

Segment report is an essential part of the Company is selling or providing products or services (business segment), or the sale and supply of products or services in a particular economic environment (geographical segment), and the risks and benefits of each sector on the risks and benefits of other sectors. The Company follows the geographical segment is given for the conduct of the Company for part of its activities outside Saudi Arabia.

3 CASH AND CASH EQUIVALENTS

	2011 *SR*	*2010* *SR*
Cash on hand and banks	**83,602,586**	37,185,805
Short term deposits	**37,478,288**	79,714,560
	121,080,874	116,900,365

The short term deposits are invested for periods of less than three months.

4 TRADE ACCOUNTS RECEIVABLE, NET

	2011 *SR*	*2010* *SR*
Trade accounts receivable (see note (a) below)	**125,947,523**	141,673,067
Less: allowance for doubtful debts (see note (b) below)	**(18,401,809)**	(15,827,732)
	107,545,714	125,845,335

a) It is expected to collect most of the accounts receivable during the subsequent period where the Company's management has developed specific strategies to collect such receivables, the Company's ten largest customers account for 42% of outstanding accounts receivables at 31 December 2011 (45% at 31 December 2010). As at 31 December, the ageing of un impaired trade receivables is as follows:

			Past due but not impaired		
	Total *SR*	*Neither past due nor impaired* *SR*	*Less than 30 days* *SR*	*Less than 60 days* *SR*	*More than 60 days* *SR*
2011	**107,545,714**	**59,184,024**	**22,458,600**	**10,230,434**	**15,672,656**
2010	125,845,335	82,088,644	23,702,288	9,085,811	10,968,592

4 ACCOUNTS RECEIVABLE, NET (continued)

b) As at 31 December 2011, the allowance for doubtful debts amounted to SR 18,401,809 (31 December 2010: SR 15,827,732). The movement in allowance for doubtful debts account as at 31 December is as follows:

	2011 *SR*	*2010* *SR*
Balance at the beginning of the year	**15,827,732**	9,757,087
Provided during the year (see note 15)	**3,622,924**	7,208,324
Transfer from due to related parties	**-**	147,000
Write off during the year	**(929,054)**	(1,129,126)
Translation adjustments	**(119,793)**	(155,553)
Balance at the end of the year	**18,401,809**	15,827,732

5 RELATED PARTIES TRANSACTIONS AND BALANCES

a) Due from related parties (affiliates)

Description	*Nature of transaction*	*Transaction amount* *2011* *SR*	*Transaction amount* *2010* *SR*	*Balances* *2011* *SR*	*Balances* *2010* *SR*
Halwani International Establishment	Sale of finished good	**55,200**	63,150	**55,200**	-
Cusien Halwani Company	Sale of finished good	**119,262**	936,799	**38,123**	90,258
Dar Teba Hotel – Madinah	Sale of finished good	**55,833**	43,632	**4,775**	5,057
Dallah Hospital	Sale of finished good	**323,989**	287,738	**108,569**	77,420
Iqra Establishment	Sale of finished good	**240,000**	240,000	**-**	-
Ulker	Raw material purchased through Company	**5,635,030**	12,314,467	**1,225,100**	4,463,623
Fadeel Halwani	Sale of finished good			**2,729,352**	2,729,352
Food Services Group Company	Sale of finished good	**237,705**	161,543	**12,973**	99,143
Total				**4,174,092**	7,464,853
Allowance of doubtful debts				**(2,729,352)**	(2,729,352)
Balance				**1,444,740**	4,735,501

5 RELATED PARTIES TRANSACTION AND BALANCES (continued)

b) Due to related parties (affiliates)

		Transaction amount		*Balances*	
Description	***Nature of transaction***	***2011 SR***	*2010 SR*	***2011 SR***	*2010 SR*
Dallah Trading Company	Supply of spare part	**250,165**	598,158	**20,214**	293,201
Dallah for Textile Company	Supply labour uniform	**83,708**	-	-	-
Al-Rabea Company	Purchase of finished material	**381,160**	35,278	**53,657**	53,627
Dallah for Transportation	Transportation of water and raw material	**390,100**	357,462	-	-
Halwani and Tahan Foods	Purchase of finished material	**196,642**	253,365	**136,035**	47,380
Darean Travel Agency	Purchase of tickets	**908,834**	1,102,159	**11,853**	67,516
Dallah Media Productions	Purchase advertising material	**-**	-	**27,500**	27,500
Kamel Fund	Employee insurance	**45,000**	45,000	-	-
FMCG	Purchase of raw material	**2,157,481**	4,153,575	**215,599**	396,754
Balance				**464,858**	885,978

Prices and terms of such transactions are approved by the management.

c) As at 31 December 2011, senior management and key executives' salaries and remunerations amounted to SR 5,396,852 (31 December 2010: SR 5,194,296).

6 INVENTORIES, NET

	2011 SR	*2010 SR*
Raw materials	**98,318,412**	97,341,167
Finished good	**34,410,116**	34,845,569
Packing material	**27,053,304**	30,845,241
Spare parts (not for sale)	**16,889,686**	17,462,321
Work in process	**3,706,363**	3,121,318
Other	**417,886**	613,421
	180,795,767	184,229,037
Less: Allowance of slow-moving inventory	**(5,204,685)**	(5,465,571)
	175,591,082	178,763,466
Goods in transit	**1,253,694**	2,069,939
Total	**176,844,776**	180,833,405

6 INVENTORIES, NET (continued)

The movement in the allowance as at 31 December is as follows:

	2011 *SR*	*2010* *SR*
Balance at the beginning of the year	**5,465,571**	3,805,578
Provided during the year (see note 16)	**480,524**	2,303,793
Utilised during the year	**(672,993)**	(560,462)
Translation adjustments	**(68,417)**	(83,338)
Balance at the end of the year	**5,204,685**	5,465,571

7 PREPAID EXPENSES AND OTHER ASSETS

	2011 *SR*	*2010* *SR*
Prepaid expenses	**7,176,894**	7,366,391
Employees' advances	**2,882,452**	2,711,931
Zakat department – DZIT (see note 18-e)	**1,722,243**	1,722,243
Tax department – Income Tax	**1,088,794**	812,960
Tax departments – Withholding Tax	**930,277**	579,253
Advance payments to suppliers	**1,570,114**	1,837,067
Other receivables	**611,217**	698,137
Balance at end of the year	**15,981,991**	15,727,982

8 PROPERTY AND EQUIPMENT NET

The estimated useful lives of property and equipment for the calculation of depreciation are as follows:

Buildings	20 years	Plant and equipment	10 – 15 years	Motor vehicles	4 years
Furniture and fixtures	4 – 10 years	Computer and software	4 – 10 years		

	Lands SR	*Buildings SR*	*Plant and equipments SR*	*Furniture and fixtures SR*	*Computers and software SR*	*Motor vehicles SR*	*Advance payments to suppliers s SR*	*Projects under progress SR*	***Total 2011 SR***	*Total 2010 SR*
Cost:										
At the beginning of the year	14,860,650	68,691,245	211,756,110	16,018,402	15,978,901	43,081,186	17,856,493	84,033,377	**472,276,364**	429,290,807
Additions	-	164,425	3,137,350	58,607	63,761	2,180,220	24,745,933	47,657,833	**78,008,129**	73,484,348
Disposals	-	-	(3,676,533)	(511,400)	(363,454)	(4,622,760)	-	-	**(9,174,147)**	(28,200,820)
Transfer	-	-	2,822,390	350,368	1,255,733	7,835,025	(11,549,245)	(714,271)	-	-
Translation adjustments	(125,761)	(244,738)	(531,692)	(50,173)	(7,013)	(126,216)	-	(587,120)	**(1,672,713)**	(2,297,971)
At the end of the year	14,734,889	68,610,932	213,507,625	15,865,804	16,927,928	48,347,455	31,053,181	130,389,819	**539,437,633**	472,276,364
Depreciation:										
At the beginning of the year	-	56,791,575	147,733,441	12,925,121	12,108,775	33,765,892	-	-	**263,324,804**	272,237,693
Charge for the year	-	925,788	11,600,124	857,709	1,763,090	4,016,879	-	-	**19,163,590**	17,783,706
Disposals	-	-	(3,525,202)	(510,015)	(362,218)	(4,622,760)	-	-	**(9,020,195)**	(26,696,595)
At the end of the year	-	57,717,363	155,808,363	13,272,815	13,509,647	33,160,011	-	-	**273,468,199**	263,324,804
Net book amounts:										
At 31 December 2011	**14,734,889**	**10,893,569**	**57,699,262**	**2,592,989**	**3,418,281**	**15,187,444**	**31,053,181**	**130,389,819**	**265,969,434**	
At 31 December 2010	14,860,650	11,899,670	64,022,669	3,093,281	3,870,126	9,315,294	17,856,493	84,033,377		208,951,560

- Projects under progress and advance payments to suppliers consist of costs related to the new industrial compound of the Company amounting to SR 127,774,368 in Jeddah and amount of SR 21,042,232 being the construction costs of the new meat factory in Arab Republic of Egypt.
- All property and equipment included in projects under progress are mortgaged against the SIDF loan (see note 9).

8 PROPERTY AND EQUIPMENT NET (continued)

Depreciation charge for the year is allocated as follows:

	2011 *SR*	*2010* *SR*
Cost of sales	**12,443,594**	12,989,855
Selling and distribution expenses (see note 15)	**4,289,312**	2,878,317
General and administration expenses (see note 16)	**2,430,684**	1,915,534
	19,163,590	17,783,706

9 LOANS

	2011 *SR*
Saudi Industrial Development Fund (SIDF) – see note below	**12,679,750**
Less:	
Current portion of term loan	**(268,329)**
Non-current portion	**12,411,421**

- On 15 June 2010, the Company signed a loan agreement with Saudi Industrial Development Fund ("SIDF") amounting to SR 165.2 million to finance the new industrial compound project of the Company in Jeddah. All existing properties and equipment of the new project and those to be constructed were pledged to SIDF as a security for the loan. During the year ended 31 December 2011, the Company received the 1st payment of SIDF as follows:

	2011 *SR*
Total facility	**14,776,000**
Less:	
Administration fees	**(2,096,250)**
	12,679,750

10 ACCRUED EXPENSES AND OTHER PAYABLES

	2011 *SR*	*2010* *SR*
Accrued expenses	**12,063,442**	10,061,142
Tax payable (see note 18-d)	**18,619,299**	11,822,078
Advances from customers	**1,819,395**	892,380
Other payables	**3,692,306**	7,359,274
Staff accruals	**1,042,846**	1,167,005
Bonuses and incentives	**1,365,531**	5,190,469
Allowance for vacations	**3,023,919**	2,961,836
	41,626,738	39,454,184

11 CAPITAL

Capital is SR 285,714,300 divided into 28,571,430 shares of SR 10 each.

12 STATUTORY RESERVE

In accordance with Saudi Arabian Regulations for Companies and Company's by-laws, 10% of the net income for the year is required to be transferred to the statutory reserve until this reserve equals 50% of the capital.

The ordinary general assembly may resolve to discontinue such transfers when the reserve totals 50% of the capital.

13 GENERAL RESERVE

As required by the Company's by-laws the ordinary general assembly, at the recommendation of Board of Directors may transfer a maximum of 20% of net profit to a general reserve to be allocated for one or more particular purpose. 5% of net profit was transferred each year to general reserve for future purchase of property and equipment. During 2009, the Board of Directors resolved to discontinue the transfer as it is no longer required.

14 DIVIDENDS

On 26 March 2011, the annual general assembly convened and approved board of directors' recommendation for the payment of SR 42,857,145 as dividends (i.e. 15% of capital) (10 April 2010:10% of the capital amounting to SR 28,571,430).

15 SELLING AND DISTRIBUTION EXPENSES

	2011 *SR*	*2010* *SR*
Salaries and benefits	**32,707,445**	30,516,299
Maintenance	**330,130**	550,137
Insurance	**1,891,616**	1,635,978
Freight	**668,709**	1,244,479
Vehicle lease	**3,813,787**	3,849,202
Motor vehicle	**4,120,532**	4,302,161
Telephone and post	**663,343**	720,742
Electricity	**423,102**	400,292
Stationery and printing	**556,772**	235,400
Travel	**356,917**	267,919
Rent	**2,397,666**	2,446,092
Depreciation (see note 8)	**4,289,312**	2,878,317
Advertising and publicity	**1,024,529**	2,818,692
Other marketing expenses	**4,740,044**	2,796,960
Sales promotion	**7,272,350**	5,789,139
Commissions	**8,469,365**	7,093,373
Jandollat	**13,142,150**	11,156,176
Branches' expenses	**1,661,674**	1,235,340
Selling and distribution of exported goods	**5,824,580**	6,425,920
Other	**2,549,242**	3,285,298
Allowance for doubtful debts (see note 4)	**3,622,924**	7,208,324
	100,526,189	96,856,240

16 GENERAL AND ADMINISTRATION EXPENSES

	2011 *SR*	*2010* *SR*
Salaries and benefits	**24,542,761**	24,724,406
Maintenance	**1,598,650**	1,392,790
Insurance	**455,736**	293,603
Telephone and post	**864,606**	1,147,736
Travel expenses	**805,598**	1,007,562
Computer supplies	**1,321,661**	631,850
Branches' expenses	**813,279**	769,455
Stationery and printing	**287,862**	161,118
Directors' remunerations (subsidiary)	**-**	339,167
Miscellaneous subscriptions	**197,649**	248,945
Depreciation (see note 8)	**2,430,684**	1,915,534
Other	**3,750,738**	5,090,674
Consultation expenses	**947,901**	3,320,401
Allowance for slow moving inventories (see note 6)	**480,524**	2,303,793
	38,497,649	43,347,034

17 OTHER INCOME

	2011 *SR*	*2010* *SR*
Gain on sale of property and equipment	**1,060,562**	1,279,092
Sale of raw materials	**128,142**	420,322
Other income	**1,710,823**	93,903
Exchange differences	**1,091,953**	435,841
	3,991,480	2,229,158

18 ZAKAT AND INCOME TAX

a) Zakat liability calculation is based on consolidated financial statements. However, tax liability calculation is based on subsidiary's financial statements.

	2011 *SR*	*2010* *SR*
Zakat base:		
Shareholders' equity	**479,680,037**	427,123,024
Adjusted net profit	**115,912,567**	113,713,507
Other	**48,900,066**	40,183,784
Term loan	**12,679,750**	-
Net value of property and equipment, spare parts and other	**(305,241,916)**	(226,413,881)
Zakat base	**351,930,504**	354,606,434

18 ZAKAT AND INCOME TAX (continued)

b) The movement in zakat provision as at 31 December is as follows:

	2011 *SR*	*2010* *SR*
Balance at the beginning of the year	**9,014,564**	8,882,114
Provided during the year	**8,708,862**	8,865,161
Paid during the year	**(8,891,540)**	(8,732,711)
	8,831,886	9,014,564

c) The movement in deferred tax as at 31 December is as follows:

	2011 *SR*	*2010* *SR*
Balance at the beginning of the year	**1,083,926**	1,906,421
Provided / utilised during the year	**1,116,252**	(737,381)
Translation adjustments	**(53,361)**	(85,114)
Balance at the end of the year	**2,146,817**	1,083,926

Income tax charged to consolidated income statement:		
Change in deferred tax	**1,116,252**	(737,381)
Income tax for the year	**18,686,972**	12,132,142
	19,803,224	11,394,761

d) The movement in income tax as at 31 December is as follows:

	2011 *SR*	*2010* *SR*
Balance at the beginning of the year	**11,822,078**	5,663,225
Provided during the year (see note c)	**18,686,972**	12,132,142
Payment during the year	**(11,553,736)**	(5,494,834)
Translation adjustment	**(336,015)**	(478,455)
Balance at the end of the year	**18,619,299**	11,822,078

e) Zakat status

1) Zakat assessments up to end of 2005 have been agreed with the Department of Zakat and Income Tax (DZIT) and final zakat certificates were obtained.
2) The DZIT has reopened the assessments for the years 1998 through 2001 and claimed zakat differences of SR 2,111,137. The Company has filed an appeal against the revised zakat assessment. The appeal is pending with the DZIT.
3) Zakat declarations for the years 2002 through 2005 were filed by the Company. The DZIT raised the assessments for the above years claiming zakat differences of SR 1,722,244. The Company has paid zakat differences (note 7) and filed an appeal against zakat assessments. The DZIT reviewed the appeal and claimed additional zakat differences of SR 447,166. The Company has filed an appeal against the final assessment which is still pending with DZIT.

18 ZAKAT AND INCOME TAX (continued)

e) Zakat status (continued)

4) Zakat declarations for the years 2006 through 2008 were filed. The DZIT has raised the assessment claiming zakat differences of SR 6,261,436. The appeal filed by the Company against the assessment which is still pending with the DZIT.
5) The Company filed zakat declarations for the years 2009 and 2010 and obtained restricted certificates.

f) Tax status for subsidiary company

- *Corporate tax*
  Company's books from incorporation date up to 2004 were inspected and final settlement was reached. Tax declarations for the years up to 2010 were filed and tax due per declarations were paid.

- *Income tax*
  Company's books were audited up to 2010 and tax due was paid.

- *Stamp duty*
  Stamp duty was audited up to 31 July 2006 and due amounts was paid. No other taxes are due by the Company. According to Egyptian Tax Act No. 143 for the year 2006, the Company regularly pay tax due up to financial statements date.

- *Tax credit/added*
  Tax credit/added was examined and paid up to 30 September 2011.

- *Sales tax*
  Company's books were examined up to 2007 and tax due paid. Monthly return and tax due there under have been regularly paid on statutory deadlines.

19 SEGMENTAL REPORTING

Geographical segmental reporting is adopted by the Company for its internal reports. The following table outlines sales, gross profit, total assets and liabilities and net value of property and equipment for individual geographical segments:

	Saudi Arabia		Republic of Egypt		Other countries		Total	
	2011	*2010*	***2011***	*2010*	***2011***	*2010*	***2011***	*2010*
	SR '000	*SR '000*	***SR '000***	*SR '000*	***SR '000***	*SR '000*	***SR '000***	*SR '000*
Sales	**380,942**	354,893	**343,342**	279,412	**89,359**	97,665	**813,643**	731,970
Gross profit	**124,306**	131,143	**96,274**	86,230	**22,931**	20,580	**243,511**	237,953
Total assets	**482,399**	486,151	**206,469**	166,843	**-**	-	**688,868**	652,994
Total liabilities	**97,267**	100,388	**53,779**	45,083	**-**	-	**151,046**	145,471
Property and equipment, net	**209,139**	168,798	**56,830**	40,154	**-**	-	**265,969**	208,952

20 CONTINGENCIES

As at 31 December the Company's contingent liabilities are as follows:

	2011		*2010*	
	Contingent liability SR	***Insurance SR***	*Contingent liability SR*	*Insurance SR*
Letters of credit	**100,961,115**	**-**	24,821,742	741,288
Letters of guarantee	**109,762**	**33,945**	1,068,279	35,198
Collections and outstanding shipments	**848,556**	**-**	6,313,665	-

The Department of Zakat and Income Tax has raised final zakat assessments for the years 1998 through 2008 claiming zakat differences of SR 8.8 million. The Company has filed an appeal against the zakat assessment. The management believes the outcome will be favourable. Accordingly, the zakat liability under the assessments has not been provided for in these consolidated financial statements.

21 RISK MANAGEMENT

Interest risk
The Company has no interest bearing liabilities. However, the Company's assets are placed in Islamic Compliant Investments. Accordingly, the Company is not subject to interest rate risk.

Liquidity risk
Liquidity risk arises from the inability of the Company to meet commitments associated with financial obligations when they fall due. The Company monitors its liquidity requirements on monthly basis and the management ensures that cash is available to meet any obligations when they arise.

The current financial liabilities of the Company consist of accounts payable, current portion of term loan, accruals and other payables and due to related parties. Substantially these financial liabilities are expected to be settled within twelve months from consolidated balance sheet date and the Company expects to have adequate funds to do so.

Credit risk
Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. The Company also obtains letters of guarantees and letters of credit from certain customers as security. The 10 largest customers account for 42% of outstanding accounts receivable as 31 December 2011 (2010: 45%).

With respect to credit risk arising from the other financial assets of the Company, including cash and cash equivalents, due from related parties and other assets, the Company's exposure to credit risk arises from default of the counter parties, with maximum exposure equal to the carrying amount of these instruments.

Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. In addition to the Egyptian pound exchange rates,45% of the company's consolidated revenues are from Halwani Brothers Egypt (subsidiary). The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars during the year. As the Saudi Riyal is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

Business risk
Business risk arises from several external factors as epidemic diseases as bird flu and swine flu that affect on processed meat in general. It is also the risk that may arise from the possibility of non-availability of agricultural crops that are used as basic primary materials in the nutritional industries. In addition to the risks resulting from the political disturbances that Arab Republic of Egypt is currently facing and their impact on the results of the subsidiary's business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
At 31 December 2011

21 RISK MANAGEMENT (continued)

Prices of raw materials risk
The Company uses various raw materials as inputs in the production of their production processes and raw materials are subject to fluctuating prices, which may affect the results of the Company's operations. To mitigate such risk, the management monitors raw material prices and take appropriate decisions to buy depending on price expectations.

22 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's financial assets consist of cash and cash equivalents, accounts receivable, due from related parties and other assets, its financial liabilities consist of accounts payable, accruals, term loan and other payables.

The fair values of financial instruments are not materially different from their carrying values.

23 KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of accounts receivable
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due, based on historical recovery rates.

At the balance sheet date, gross trade accounts receivable were SR 125,947,523 (2010: SR 141,673,067), and the allowance for doubtful debts was SR 18,401,809 (2010: SR 15,827,732). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of income.

Impairment of inventories
Inventories are held at the lower of cost or net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and an allowance applied according to the inventory type and the degree of ageing or obsolescence, based on expected selling prices.

24 EARNINGS PER SHARE

Earnings per share on net operating income is calculated by dividing net operating income for the year by the weighted average number of shares during the year.

Earnings per share on net income is calculated by dividing the net income for the year by the weighted average number of shares during the year.

25 COMMITMENTS

- On 4 July 2009, the Board of Directors decided to construct an industrial compound with construction cost of SR 52 million for the 1st phase in addition to other works amounting to SR 3 million. Accordingly, the Company signed a contract with a local contractor for the construction of the 1st phase of the project. As at 31 December 2011, construction work was completed and the final acceptance has not yet been received.

- On 17 October 2010, the Board of Directors decided to construct a labours' housing unit with construction cost of SR 6 million (1st phase), in addition to other works amounting to SR 0.28 million. On 30 October 2010, the Company signed a contract with a local contractor for the 1st phase construction work of the housing unit. Constriction work was completed and the final acceptance has not yet been received.

- On 23 October 2011, the Board of Directors has awarded the construction of the (2nd phase)of the industrial compound (does not include electric and mechanical works) with construction cost amounting to SR 70 million. Accordingly, the Company signed a contract with a local contractor for the construction of industrial compound (2nd phase).

- During 2010, the Company entered into a contract with a contractor for the extension work of meat processing factory amounting to SR 4.9 million in addition to other works amounting to SR 1.2 million. As per the contract the subsidiary paid SR 5 million up to 31 December 2011.

- On 21 December 2011, the Company entered into a SR 24 million contract with a foreign contractor for the supply and erection of partitions and insulation panels for the second phase of the industrial compound.